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April 21, 2008

Mr. Robert Grossman
Group Managing Director
U. S. Public Finance
Fitch Ratings
33 Whitehall Street, 27th Fl.
New York, NY 10004

Ms. Gail Sussman
Group Managing Director
Public Finance
Moody's Investors Service
250 Greenwich Street
New York, NY 10007

Mr. William Montrone
Head
U.S. Public Finance Dept
Standard & Poor's
55 Water Street
New York, NY 10041

SUBJECT: Ending Market Discrimination Caused By Ratings of Municipal Bonds

Dear Mr. Grossman, Ms. Sussman and Mr. Montrone,

The League of California Cities represents the 478 cities (soon 479) of California. The board of board of directors of the League is deeply concerned that the current system of assigning credit ratings to bonds issued by governmental entities is resulting in indefensible market discrimination against state and municipal issuers. It is becoming widely known by issuers of municipal debt that your agencies' own studies demonstrate that the likelihood of default by municipal borrowers is much lower than for corporate borrowers with similar ratings.

Bond ratings should be based primarily on an evaluation of the likelihood investors will suffer a loss due to default. Unfortunately, for municipal bonds, they are not. This practice costs taxpayers enormous amounts of money that could be invested in public programs and infrastructure.

We respectfully request that Standard & Poor's, Moody's and Fitch take prompt, affirmative action to end the market discrimination caused by your current rating system. Specifically, we request that you create appropriate categories of corporate equivalency ratings for municipal bonds. The goal should be the use of a single rating scale, applicable to all bonds you rate (whether municipal, corporate or structured finance) that principally reflects the likelihood of investor loss from a default.

Thank you.

Sincerely,

A handwritten signature in dark ink that reads "Chris McKenzie". The signature is fluid and cursive, with the first name "Chris" and last name "McKenzie" clearly legible.

Christopher McKenzie
Executive Director